

2015-16



MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

ANNUAL BUDGET REPORT - MP303

Municipal Budget Reporting Regulations (MBRR)



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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

The Honourable Executive Mayor of Mkhondo Local Municipality, Councillor B.H Mtshali delivered his 2015/16 Draft Annual Budget speech to Council Chamber on Thursday, 26 March 2015. The Executive Mayor's address sought the Council for the adoption of a 2014/15 Draft Annual Budget of R362,1 million as per the provisions of Section 24 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

In its effort to increase the service delivery momentum in the 2015/2016 financial year, the Municipality will envisage spending acceleration of more than R85, 7million on various infrastructural development projects. A capital budget of R75, 7million approved MIG allocation will be spent on an intensive service delivery programme which will include the following; Construction of new cemetery; Continuation of Installation of water bulk line to Rustplaas, Maphepheni; Construction of Driefontein to Iswepe to Haartebeesfontein water bulk line; Installation of storm-water drainage in Ethandakukhanya; Construction of main access road in Sand Bank; Multi-Purpose Community Centre (MPCC) in Amsterdam and Extension of Piet Retief Sewer Treatment Plant.

The municipality was allocated an additional R10 million for municipal infrastructure grant (MIG) as per the adjusted government gazette no: 38613 published on the 26 March 2015. This in essence has compelled the municipality to pass a special adjustment budget in accordance to government gazette no: 38613 and as per the requirements stated through section 28(2) (b) of the MFMA (Act No.56 of 2003) and section 23(3) of the Municipal Budget and Reporting Regulations (MBRR).

The Comprehensive Rural Development Programme (CRDP) brought about significant change in the rural areas. The Masibuyele Emasimini programme continues to grow. The Jabulani Agri-village development is one of the great success stories. Through the human settlement integrated programme, the current community members of the Jabulani Agri-village, Rustplaas, Emaphepheni, Mangosuthu, etc, have so far been able to receive constructed brick houses, solar street lights, etc. This therefore necessitates our unwavering commitment to ensuring the consultation and involvement of all stakeholders through the IDP consultative and IDP Stakeholders Forum meetings.

1.2 COUNCIL RESOLUTION

The Executive Mayor of Mkhondo Local Municipality, Councillor BH Mtshali delivered his 2015/2016 Draft Annual Budget speech in Council Chamber on Thursday, 26 March 2015, for Council to consider the adoption of the 2015/16 Draft Annual Budget in order to commence with the public consultative meetings. The Council resolution in terms of section 24 of the Municipal Financial Management Act;

- 2015/16 Draft Budget Votes
- 2015/16 Draft Tariffs Schedule
- 2015/16 Reviewed Budget Related Policies

The council resolution item no: **15/03/342A** on above-mentioned key documents.

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 75 was consulted to guide the compilation of the 2015/16 MTREF

The main challenges experienced during the compilation of the budget 2015/16 can be summarized as follows;

- The ongoing economic challenges in the national and local environment;
- Aging water, roads and electricity infrastructure;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships barring services from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget were adopted as the upper limits for the new business line for the 2015/16 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPIX, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of Bulk Water and Electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

Recommendations and Comments from PT visit (13 May 2015) in terms of section 22 of the MFMA on 2015/16 Draft Budget Assessment were follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a draft budget to, amongst others, the Provincial Treasury immediately after tabling the draft budget in Council. In turn, the Provincial Treasury must provide views and comments on the draft budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget

(Section 23). The draft budget engagement with PT had the following comments and recommendations for the Municipality to take note;

- The projections of the Revenue Enhancement Collection strategy should be documented and ease for statistical reporting in terms of Debt book.
- Data cleansing close up report and its recommendations
- Long-term Asset Renewal plan for Repairs and maintenance of infrastructure
- Forestry in terms of the progress on identifying biological assets and its value
- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- Debt impairment and depreciation be budgeted in full amount of R102,8million however in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceeds the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as traffic fines and rental of facilities had to be readjusted downwards to be more conservative on the revenue collection.

1.4 Operating Revenue Framework

Total operating revenue for 2015/16 financial year is R362, 1million, when compared to the 2014/15 Special/Adjustment Budget of R340, 9million. For the two outer years, operational revenue will increase by 5 per cent respectively.

Total operating expenditure for the 2015/16 financial year has been appropriated at R423, 2million and translates into a budgeted surplus of R18, 2million towards funding own capital contribution. When compared to the 2014/15 Special/Adjustments Budget, operational expenditure has grown by 2 per cent in the 2015/16 budget and by 5 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The 2015/16 capital budget of R85, 6million is relatively the same level from the 2014/15 Special Adjustment budget of due to the additional R10 million which was later allocated to the Municipality for the prompt capital spending on the MIG allocation for 2014/15 financial year.

1.4.1 Municipal Tariffs

1.4.1.1 Property Rates

Mkhondo municipality have received the new valuation roll last year and it has been effectively implemented as from 01 July 2014. The supplementary valuation has been submitted and objections were resolved with the property valuer. The new valuation roll has brought an upward change in revenue estimates as more properties are now included in the Property valuation roll to generate

more revenue as well as to cover the cost of providing other general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.67 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 5.6 per cent property rate tariffs increase for 2015/16 financial year will see a revenue projection of R38, 9million as compared to the R38, 1million in 2014/15 adjustment. The reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R43 000 to it to bring the value to R58 000 which will be exempted from rates. Rebates for residential will be 20%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 5.6 per cent increase from 1 July 2015 is contained below:

Table1 - Comparison of proposed rates to levied for the 2015/16 financial year

Category	Current tariffs (2014/15)	Draft tariffs (2015/16)
Residential	R0.008431	R0.008903
Business/Industrial	R0.008737	R0.009227
Agriculture	R0.002108	R0.002226
State owned	R0.008737	R0.009227
Psi	R0.002108	R0.002226
Vacant	R0.015190	R0.016041
Pbo	R0.002108	R0.002226

1.4.1.2 Sale of Electricity and impact of tariffs increase

NERSA approved 12.20 per cent on the municipal electricity tariff for 2015/16 annual budget compilation. Mkhondo Local Municipality has applied to NERSA 12.20 per cent which was approved and that tariffs will be effective in the new financial billing starting on the 01st July 2015. Mkhondo Local Municipality will be implementing the Inclining Block Tariffs (IBT) effective from the 1st July 2015.

Table2 - Inclining Block Tariffs (IBT) – Residential

<u>Prepaid</u>	<u>(c/kwh)</u>	<u>Conventional</u>	<u>(c/kwh)</u>
Block1 (0 – 50kwh)	79.00	Block1 (0 – 50kwh)	72.00
Block2 (51 – 350kwh)	100.00	Block2 (51 – 350kwh)	93.00
Block3 (351 – 600kwh)	141.00	Block3 (351 – 600kwh)	134.00
Block4 (600kwh >)	166.00	Block4 (600kwh >)	160.00
Basic Charge	0.00	Basic Charge	89.56

Considering the Eskom increases, the consumer tariff had to be increased by 12.20 per cent to offset the additional ESKOM bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy however, more efforts will be envisaged to reach out to more deserving members of the community to register on the indigent subsidy. Indigent households will receive free basic electricity supply of up to 50KWh which is funded from the equitable share and that this allocation will continue in the 2015/16 financial year.

The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other general goods and services - 5.6%
- Electricity Consumption KWh - 12.20% **(Non-residential – IBT only)**

1.4.1.3 Sales of Water and Impact of tariff increase

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R16.28 each month for every vacant stand excluding Council properties.

Table 3 - Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current Amount Payable 2014/15	Draft Amount Payable 2015/16	Difference (Increase)	Percentage Change
0 -6	0	R3.67	R3.67	100%
7 – 20	R3.48	R3.67	R0.19	5.6%
21 – 40	R4.32	R4.56	R0.24	5.6%
41 – 60	R6.11	R6.45	R0.34	5.6%
61 - above	R8.07	R8.53	R0.46	5.6%

The free basic water will be provided to all household per month as may be amended from time to time to a maximum of 6kℓ.

By-laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

1.4.1.4 Sanitation and Impact of tariffs increase

Tariff increase of 5.6% for sanitation has been approved as from 01 July 2015. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents

Table 4 - Comparison between current sanitation charges and increases

Classification Monthly	Current Amount Payable	Draft Amount Payable	Difference (Increase)	Percentage Change
Stand – 1 st toilet	R33.87	R35.77	R1.90	5.6%
Consecutive toilet	R31.65	R33.42	R1.77	5.6%
2 & 3 stands	R28.43	R30.02	R1.59	5.6%
Backwash pools	R17.61	R18.59	R0.98	5.6%
Sewerage sludge p/c/m	R11.89	R12.55	R0.66	5.6%

1.4.1.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 5.6% tariff on all categories of in terms of their classifications and waste bins.

Table 5 - Comparison between current Refuse removal charges and increases

Classification Monthly	Current Amount Payable	Draft Amount Payable	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R46.04	R48.61	R2.57	5.6%
From all other premises, per user	R116.41	R122.93	R6.52	5.6%
If two users jointly make use of a bulk refuse container, per user	R242.30	R255.86	R13.56	5.6%
Bulk refuse container per individual user.	R488.52	R515.87	R27.35	5.6%
Additional Waste - Landfill site per Ton	R29.78	R31.44	R1.66	5.6%

1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- The SALGA's employee remuneration and other related contributions as well as the repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans into approved IDP, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 6 MBRR- MP303 Mkhondo - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	15,130	18,893	19,952	29,672	38,077	38,077	24,488	38,936	41,272	43,748
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	72,647	79,847	80,991	93,339	90,622	90,622	58,989	99,279	105,236	111,550
Service charges - water revenue	2	12,417	11,250	9,345	15,073	10,529	10,529	9,015	14,334	15,194	16,106
Service charges - sanitation revenue	2	4,925	5,649	5,742	10,778	9,705	9,705	4,647	7,389	7,832	8,302
Service charges - refuse revenue	2	6,335	6,738	7,095	7,600	7,858	7,858	5,160	8,205	8,697	9,219
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		570	557	528	979	1,117	1,117	502	798	846	896
Interest earned - external investments		4,650	2,347	2,514	2,800	1,382	1,382	980	1,449	1,536	1,628
Interest earned - outstanding debtors		–	–	2,820	9,000	6,356	6,356	4,895	7,783	8,250	8,745
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		854	859	4,034	1,310	1,090	1,090	473	1,143	1,211	1,284
Licences and permits		–	–	41	99	45	45	25	40	42	44
Agency services		5,427	2,511	7,291	8,631	6,347	6,347	4,273	6,795	7,203	7,635

MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

Transfers recognised - operational		141,468	150,931	115,784	132,752	132,902	132,902	98,340	161,926	169,625	178,333
Other revenue	2	31,782	9,949	13,426	27,767	24,821	24,821	8,832	14,042	14,885	15,778
Gains on disposal of PPE		–	1,393	761	2,810	72	72	72	–	–	–
Total Revenue (excluding capital transfers and contributions)		296,205	290,923	270,323	342,611	330,925	330,925	220,692	362,118	381,828	403,268
Expenditure By Type	-										
Employee related costs	2	74,159	86,757	97,764	99,805	95,785	95,785	72,626	113,732	120,556	127,789
Remuneration of councillors		8,262	12,100	12,104	9,900	10,726	10,726	8,254	11,198	11,870	12,582
Debt impairment	3	2,995	1,917	22,992	16,359	16,359	16,359	–	28,699	30,421	32,246
Depreciation & asset impairment	2	67,633	71,498	72,525	73,058	73,058	73,058	73,058	73,058	77,441	82,088
Finance charges		1,694	1,184	4,068	929	729	729	434	446	473	501
Bulk purchases	2	69,914	63,268	76,581	80,924	82,374	82,374	44,531	93,915	99,550	105,523
Other materials	8	–	11,583	24,389	26,432	18,195	18,195	8,199	12,889	13,662	14,482
Contracted services		–	32,635	34,994	25,753	23,953	23,953	17,950	28,161	29,850	31,641
Transfers and grants	4, 5	5,480	3,466	3,876	12,872	–	–	5,332	12,835	11,121	12,034
Other expenditure		66,692	35,753	38,535	69,605	69,903	69,903	30,651	48,241	51,136	54,204
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		296,829	320,160	387,828	415,635	391,082	391,082	261,036	423,174	446,081	473,091
Surplus/(Deficit)		(624)	(29,237)	(117,505)	(73,025)	(60,157)	(60,157)	(40,344)	(61,056)	(64,253)	(69,822)
Transfers recognised - capital	6	41,908	41,908	102,972	77,765	91,376	81,376	60,233	81,885	81,782	87,125
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributed assets		10,287	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Attributable to minorities				–							
Surplus/(Deficit) attributable to municipality		51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302

The budget allocation for employee related cost for the 2015/16 financial year totals to R113, 7million, which equals 26 per cent of the total operating expenditure. Based on the recent collective SALGBC agreement that has just been released for the wage agreement term, the salary increase has been factored into this budget at a percentage increase of 5.4 per cent for the 2015/16 financial year. The major budget implications was the filling of critical vacancies that existed and the Organogram reviewed and costed, however, with limited sources of funding only most critical posts at service delivery departments were prioritised and those vacant but not yet funded will be priorities in the next coming adjustment budget if not coming 2016/17 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2015/16 next budget allocation as gazetted for remuneration of councillors has an amount of R11, 2million for councilors' remuneration as well as the stipend for the ward councillor's of R2, 5million which has been considered during the compilation of the 2015/16 Budget.

Finance charges consist primarily of the repayment of interest on long-term borrowing from DBSA (cost of capital) as well as bank charges. Finance charges make up 1 per cent (R446k) of the budgeted operating expenditure.

Bulk purchases are directly informed by the purchase of electricity (R92, 8million & R1, 1million) appropriations and directly inform the revenue provisions.

Other material comprises of amongst others the purchase of fuel, diesel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritized to ensure sustainability of the service delivery.

1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. Recognizing that the number of registered indigent is still low, the target is to register additional 10 per cent or more indigent households during the 2015/16 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 - MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote Multi-year expenditure to be appropriated	2										
Vote 1 - Executive Council		1,011	4,247	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury Office	23	–	–	1,125	1,757	3,063	3,063	648	1,495	1,585	1,680

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Vote 3 - Corporate Services		1,092	1,963	633	1,200	1,705	1,705	1,917	500	530	562
Vote 4 - Planning & Development		–	–	–	–	–	–	–	800	848	899
Vote 5 - Community Administration		–	–	–	–	–	–	–	925	981	1,039
Vote 6 - Community & Social Services		1,048	–	–	–	–	–	–	–	–	–
Vote 7 - Housing		–	–	–	–	–	–	–	–	–	–
Vote 8 - Public Safety		650	32	522	1,600	500	500	–	650	689	730
Vote 9 - Sports & Recreation		–	–	–	223	–	–	–	–	–	–
Vote 10 - Roads & Technical Services		41,950	23,181	48,868	29,424	20,887	20,887	15,404	21,260	22,610	23,975
Vote 11 - Waste Management		1,900	5,466	–	200	–	–	–	–	–	–
Vote 12 - Waste Water Management		5,932	17,570	17,890	12,258	29,717	29,717	9,128	1,200	1,272	1,348
Vote 13 - Water		464	8,911	29,054	37,663	44,787	44,787	23,496	52,924	54,610	57,734
Vote 14 - Electricity		8,671	2,321	–	7,475	8,732	8,732	492	13,178	11,537	12,809
Vote 15 - Other		–	800	–	460	180	180	15	–	–	–
Total Capital Expenditure - Vote		62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776
Capital Expenditure - Standard											
Governance and administration		2,126	6,210	1,758	2,957	4,768	4,768	2,398	1,995	2,115	2,242
Executive and council		1,011	4,247	–	–	–	–	–	–	–	–
Budget and treasury office		23	–	1,125	1,757	3,063	3,063	481	1,495	1,585	1,680
Corporate services		1,092	1,963	633	1,200	1,705	1,705	1,917	500	530	562
Community and public safety		1,698	32	522	1,823	500	500	–	1,575	1,670	1,770
Community and social services		1,048	–	–	–	–	–	–	925	981	1,039
Sport and recreation		–	–	–	223	–	–	–	–	–	–
Public safety		650	32	522	1,600	500	500	–	650	689	730
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
Economic and environmental services		41,950	23,181	48,868	29,424	20,887	20,887	15,404	22,060	23,458	24,874
Planning and development		–	–	–	1,280	–	–	–	800	848	899
Road transport		41,950	23,181	48,868	28,144	20,887	20,887	15,404	21,260	22,610	23,975
Environmental protection		–	–	–	–	–	–	–	–	–	–
Trading services		16,967	34,269	46,944	57,596	83,236	83,236	33,283	67,302	67,419	71,891
Electricity		8,671	2,321	–	7,475	8,732	8,732	492	13,178	11,537	12,809
Water		464	8,911	29,054	37,663	44,787	44,787	23,664	52,924	54,610	57,734
Waste water management		5,932	17,570	17,890	12,258	29,717	29,717	9,127	1,200	1,272	1,348
Waste management		1,900	5,466	–	200	–	–	–	–	–	–
Other		–	800	–	460	180	180	15	–	–	–
Total Capital Expenditure - Standard	3	62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776

MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

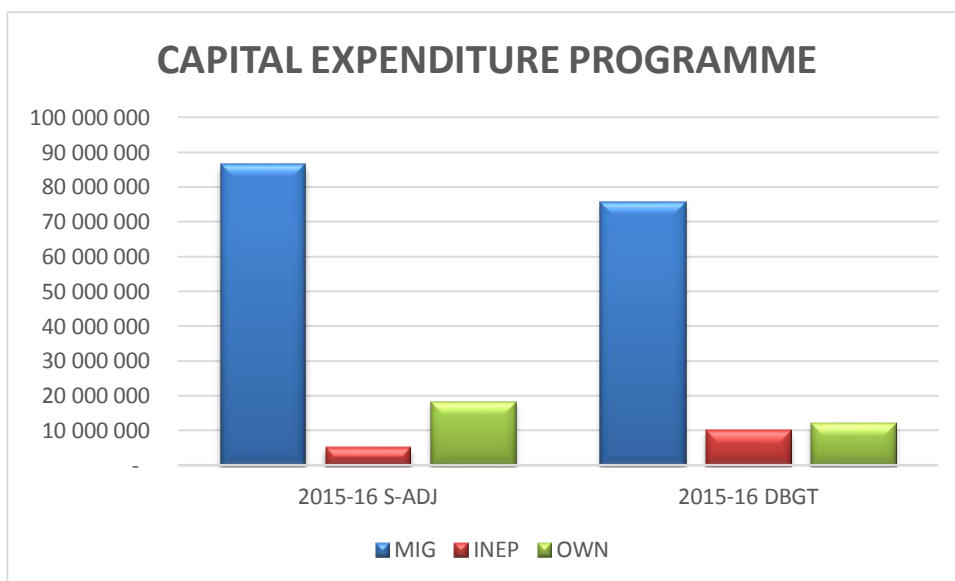
Funded by:											
National Government		41,908	56,954	93,612	77,765	91,376	91,376	47,809	81,885	81,782	87,125
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		10,287	–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	52,195	56,954	93,612	77,765	91,376	91,376	47,809	81,885	81,782	87,125
Public contributions & donations	5	–	–	–	–	–	–	–	–	–	–
Borrowing	6	6,332	–	–	–	–	–	–	–	–	–
Internally generated funds		4,214	7,537	4,480	14,495	18,195	18,195	3,291	11,048	12,879	13,651
Total Capital Funding	7	62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776

For 2015/16 an amount of R92, 9million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital infrastructure budget allocation on water supply of R52, 9million which equates to 56 per cent will address sewer challenges that the municipality is currently facing.

Our municipal road requires maintenance and upgrading therefore a sufficient budget is been set-aside for construction of access roads in Sand Bank, storm drainage system in Ethandakukhanya, etc an amount of R21, 3million which equates to 22 per cent will be spent on rehabilitation and resealing of roads in order improve access of mobility in and around township eMkhondo. Electrification projects will amount to R14, 2million which equates to 15 per cent includes upgrading of main substation of R8 million.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 1 Capital Expenditure Programme



The capital expenditure programme bar charts illustrate that the large portion of the capital funding is still on MIG with R86million from the Special Adjustment budget wherein the municipality was allocated an additional R10 million to accelerate water and sanitation projects in the municipal area of Driefontein/Hartebeesfontien /Iswepe water bulkine.

2015/16 Draft Budget MIG is just under R76million and Integrated National Electrification Programme (INEP) with R10 million as well as Own funded capital of just over R11 million for acquisitions of assets.

1.7 Annual Budget Tables

**Table 8 MBRR - MP303 Mkhondo - Table
A1 Budget Summary**

Description R thousands	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Financial Performance										
Property rates	15,130	18,893	19,952	29,672	38,077	38,077	24,488	38,936	41,272	43,748
Service charges	96,324	103,484	103,172	126,790	118,715	118,715	77,812	129,207	136,959	145,177
Investment revenue	4,650	2,347	2,514	2,800	1,382	1,382	980	1,449	1,536	1,628
Transfers recognised - operational	141,468	150,931	115,784	132,752	132,902	132,902	98,340	161,926	169,625	178,333
Other own revenue	38,633	15,268	28,901	50,596	39,848	39,848	19,072	30,600	32,436	34,382
Total Revenue (excluding capital transfers and contributions)	296,205	290,923	270,323	342,611	330,925	330,925	220,692	362,118	381,828	403,268
Employee costs	74,159	86,757	97,764	99,805	95,785	95,785	72,626	113,732	120,556	127,789
Remuneration of councillors	8,262	12,100	12,104	9,900	10,726	10,726	8,254	11,198	11,870	12,582
Depreciation & asset impairment	67,633	71,498	72,525	73,058	73,058	73,058	73,058	73,058	77,441	82,088
Finance charges	1,694	1,184	4,068	929	729	729	434	446	473	501
Materials and bulk purchases	69,914	74,851	100,970	107,356	100,569	100,569	52,730	106,804	113,213	120,005
Transfers and grants	5,480	3,466	3,876	12,872	–	–	5,332	12,835	11,121	12,034
Other expenditure	69,687	70,304	96,521	111,716	110,215	110,215	48,601	105,101	111,407	118,091
Total Expenditure	296,829	320,160	387,828	415,635	391,082	391,082	261,036	423,174	446,081	473,091
Surplus/(Deficit)	(624)	(29,237)	(117,505)	(73,025)	(60,157)	(60,157)	(40,344)	(61,056)	(64,253)	(69,822)
Transfers recognised - capital	41,908	41,908	102,972	77,765	91,376	81,376	60,233	81,885	81,782	87,125
Contributions recognised - capital & contributed assets	10,287	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Capital expenditure & funds sources										

MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

Capital expenditure	62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776
Transfers recognised - capital	52,195	56,954	93,612	77,765	91,376	91,376	47,809	81,885	81,782	87,125
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	6,332	–	–	–	–	–	–	–	–	–
Internally generated funds	4,214	7,537	4,480	14,495	18,195	18,195	3,291	11,048	12,879	13,651
Total sources of capital funds	62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776
<u>Financial position</u>										
Total current assets	70,623	49,953	62,480	190,144	193,068	193,068	187,952	132,300	140,238	148,652
Total non current assets	1,362,059	1,395,184	1,318,503	1,398,867	1,247,735	1,247,735	1,247,735	1,239,826	1,314,215	1,393,068
Total current liabilities	84,749	80,942	111,029	52,307	110,016	110,016	109,148	68,286	71,153	75,422
Total non current liabilities	12,656	30,579	32,307	37,979	13,602	13,602	13,602	31,146	32,973	34,909
Community wealth/Equity	1,335,277	1,333,616	1,237,647	1,498,725	1,317,185	1,317,185	1,312,937	1,272,693	1,350,327	1,431,390
<u>Cash flows</u>										
Net cash from (used) operating	76,780	60,753	78,224	46,327	42,854	42,854	46,810	86,103	82,397	87,531
Net cash from (used) investing	(63,142)	(62,031)	(90,188)	(85,812)	(94,063)	(94,063)	(39,120)	(92,932)	(94,661)	(100,776)
Net cash from (used) financing	(1,374)	(20,403)	(1,204)	–	(500)	(500)	–	(1,161)	(1,231)	(1,304)
Cash/cash equivalents at the year end	45,438	23,757	20,956	3,212	(14,346)	(14,346)	24,963	24,201	10,706	(3,843)
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	62,675	23,757	25,501	78,435	53,583	53,583	41,184	24,232	25,686	27,227
Application of cash and investments	66,695	42,414	78,520	(8,526)	38,880	(5,248)	16,965	(15,729)	(16,672)	(17,673)
Balance - surplus (shortfall)	(4,020)	(18,657)	(53,019)	86,961	14,702	58,830	24,219	39,961	42,358	44,900
<u>Asset management</u>										
Asset register summary (WDV)	1,331,880	1,356,620	1,296,649	1,265,779	1,186,287	1,186,287	1,280,092	1,280,092	1,356,897	1,438,311
Depreciation & asset impairment	67,633	71,498	72,525	73,058	73,058	73,058	73,058	73,058	77,441	82,088
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	6,725	10,213	24,389	26,369	26,369	26,369	12,889	12,889	13,662	14,482
<u>Free services</u>										
Cost of Free Basic Services provided	6,938	7,043	7,150	7,572	8,019	8,492	9,002	9,002	9,290	9,600
Revenue cost of free services provided	7,695	7,812	7,930	7,930	7,930	7,930	8,048	8,048	8,306	8,582
<u>Households below minimum service level</u>										
Water:	2	2	2	2	2	2	2	2	2	2
Sanitation/sewerage:	19	17	16	17	18	18	19	19	20	22
Energy:	19	19	20	20	20	20	20	20	21	22
Refuse:	27	29	30	40	40	40	42	42	45	47

PART 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

2.1.1 The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

2.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In developing the 5-year IDP, a process plan was developed and adopted by Council. It started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

2.2.1 The above section also mentions that an Integrated Development Plan has the following functions:

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;

- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

2.3 IDP and Budget Consultative Community Participation

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place, for the 2011-2016 Integrated Development Planning process. The public consultation process was again conducted during April /May 2015 for the Draft IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Table 9 Feedback Summary from community needs relating to municipal competencies

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	X	X	X	X	X	X		X	X						X		X	X	X
2	SANITATION	X	X	X	X	X	X		X	X						X		X	X	X
3	ELECTRICITY (Household Connections)	X	X	X	X	X	X		X	X					X	X	X	X	X	X
4	ELECTRICITY (Streetlights/Apollo)	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X
5	CEMETERIES	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6	ROADS (Levelling & Grading)	X	X	X	X	X			X	X	X					X		X	X	X
7	ROADS (Tarring)							X			X	X		X	X		X	X		
8	STADIUMS	X	X	X	X	X	X											X	X	X
9	HALLS	X	X	X			X		X	X	X	X						X	X	X
10	HALLS (FURNISHING & FENCING)				X	X										X				X
11	STANDS/SITES					X	X				X	X								X
12	SPEED HUMPS					X	X	X		X	X	X	X	X	X		X	X		X

2.4 Overview of alignment of annual budget with IDP

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the five development priorities of the municipality, which are the national Key Performance Areas for local government, namely:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

Table 10 MBRR - MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Municipal governance and administration				116,210	244,055		196,147	199,906	199,906	193,516	204,200	216,697	
Community and public safety				16,673	757		21,531	20,664	20,664	28,498	29,897	31,691	
Economic and environmental services				27,834	6,542		36,920	28,908	28,908	38,345	40,335	42,755	
Trading services				128,675	68,805		145,139	138,643	138,643	150,480	158,886	168,419	
Other services				7,437	–		15,899	15,832	15,832	12,335	12,764	13,529	
Allocations to other priorities													
Total Expenditure				1	296,829	320,160	–	415,635	403,953	403,953	423,174	446,081	473,091

Table 11 IDP Strategic Development Priorities and Objectives

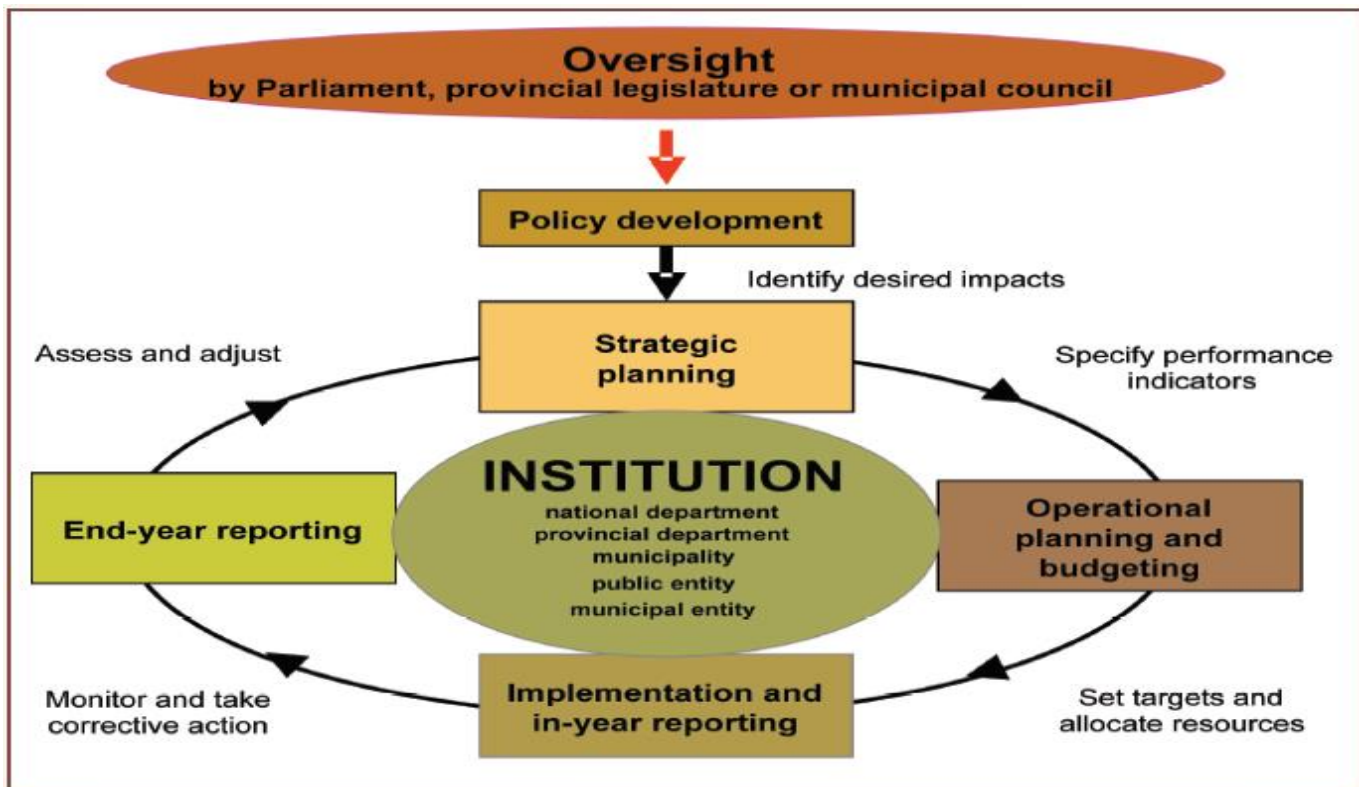
Basic Service Delivery	Municipal Institutional Development and Transformation	Local Economic Development	Financial Viability and Management	Good Governance and Public Participation	Spatial Rationale
➤ To accelerate the Provision of Water, Sanitation, Roads, Storm Water and Electricity services in partnership with key stakeholders to meet millennium targets and improve the living conditions for all.	➤ To provide support to both the administrative and political offices of the municipality in order to enable their maximum performance.	➤ To facilitate and market opportunities and advantages of Mkhondo Municipality in order to attract local and foreign direct investment.	➤ To align with the needs of the public through alignment with the IDP to ensure spending where it is most needed.	➤ To increase transparency and legitimacy in decision making processes of the municipality.	➤ To implement SPLUMA
➤ To accelerate provision of services relating to disaster management, safety, fire, emergency, as well as traffic and licensing	➤ To facilitate representation of previously disadvantaged individuals (PDIs) in both administrative and political offices of the municipality.	➤ To support growth and development of tourism sector within Mkhondo Municipality.	➤ To ensure that the Municipality maintains its Clean Audit record and Good Financial Management.	➤ To strengthen public participation through Izimbizo, IDP Forums and other communication platforms, this will include previously marginalised groups.	➤ To ensure that the system of spatial planning and land use management promotes social and economic inclusion
➤ To accelerate provision of services relating to solid waste, parks and gardens; whereas ensuring environmental sustainability of all developments.	➤ To provide education and training for officials and councillors in order to increase their efficiency on the job.	➤ To support cooperatives' and small business development.	➤ To manage internal and external income efficiently; and thus render a sound service to the public.	➤ To improve internal systems and controls, and increase the overall operational efficiency of the municipality to fulfil its responsibilities.	➤ To provide for the sustainable and efficient use of land.
➤ To support provision of comprehensive services and ensure that communities can have access to services which are closer to them.			➤ To assist all departments administratively in increasing their expenditure.		

2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and implementing a performance management system wherein top management have signed performance agreements with the Municipal manager and the Executive Mayor.

Mkhondo Local Municipality has also established a Performance Management unit as well as the performance management committee which is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organizational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure2 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

2.6 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- 3G and data policy
- Investment policy
- ICT policy
- Budget policy
- Fund Transfer policy
- Credit & Debit Control policy
- Subsistence & Travelling policy
- Asset Management Policy
- Tariff policy
- Banking and Cash Management policy
- Indigent Policy
- Rates policy
- Fleet Management policy
- Asset Disposal policy

2.7 Overview of Budget assumptions

2.7.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

2.7.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (74 per cent) of annual billings. Cash flow is assumed to be 74 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

2.7.3 Salary increase

The collective agreement regarding salaries/ wages which will come to effect on the 01 July 2015 according to the new wage agreement with SALGBC, an estimated growth in employee related

cost is budgeted at 5.4 per cent for 2015/16 financial year, notwithstanding the NT circular no.75 in terms of the guidelines.

2.8 Overview of Capital Budget Funding Sources

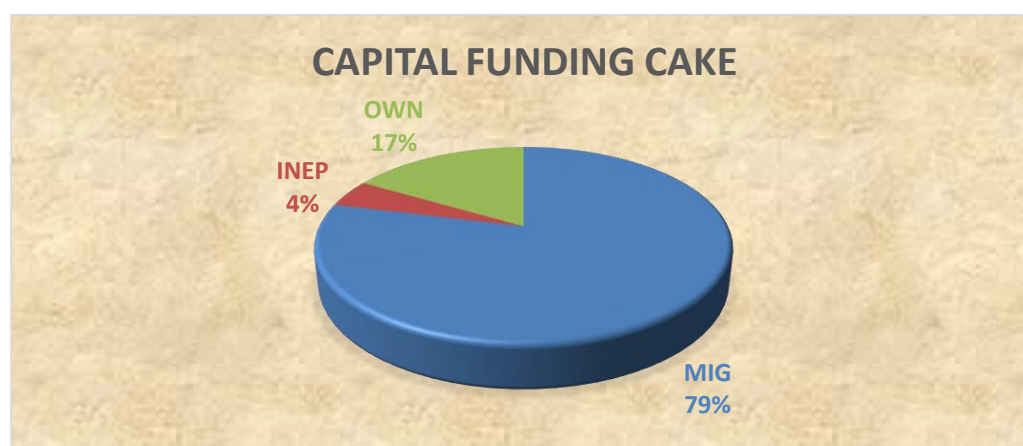
2.8.1 Medium – term outlook: Capital Revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

Table 12 MBRR - MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Capital Expenditure - Standard	3	62,741	64,491	98,092	92,260	109,572	109,572	51,100	93,932	94,661	100,776
Funded by:											
National Government		41,908	56,954	93,612	77,765	91,376	91,376	47,809	81,885	81,782	87,125
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		10,287	–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognized - capital	4	52,195	56,954	93,612	77,765	91,376	91,376	47,809	81,885	81,782	87,125
Public contributions & donations	5	–	–	–	–	–	–	–	–	–	–
Borrowing	6	6,332	–	–	–	–	–	–	–	–	–
Internally generated funds		4,214	7,537	4,480	14,495	18,195	18,195	3,291	11,048	12,879	13,651
Total Capital Funding	7	62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776

Figure 3 Sources of capital revenue for the 2015/16 financial year



Capital grants and receipts equates to 79 per cent of MIG and the INEP equates to 4 per cent present and just under 17 per cent for own funded capital to a tune of R11 million.

2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 13 MBRR - MP303 Mkhondo
Supporting Table SA10 Funding
measurement

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Funding measures</u>	–	–										
Cash/cash equivalents at the year end - R'000	18(1)b	1	45,438	23,757	20,956	3,212	(14,346)	(14,346)	24,963	24,201	10,706	(3,843)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(4,020)	(18,657)	(53,019)	86,961	14,702	58,830	24,219	39,961	42,358	44,900
Cash year end/monthly employee/supplier payments	18(1)b	3	2.9	1.4	0.9	0.1	(0.7)	(0.7)	1.8	0.9	0.4	(0.1)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	3.8%	(5.4%)	21.1%	(5.8%)	(6.0%)	(40.8%)	1.2%	0.0%	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	101.0%	100.0%	88.3%	75.5%	71.5%	71.5%	52.4%	81.6%	81.6%	81.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	2.7%	1.6%	18.7%	10.5%	10.4%	10.4%	0.0%	17.1%	17.1%	17.1%
Capital payments % of capital expenditure	18(1)c;19	8	102.2%	100.0%	100.0%	96.1%	85.9%	85.9%	76.7%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%

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Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(34.4%)	119.7%	296.2%	16.7%	0.0%	3.0%	(30.0%)	6.0%	6.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.5%	0.8%	2.0%	2.2%	2.4%	2.4%	1.2%	1.1%	1.1%	1.1%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Revenue												
% Increase in Total Operating Revenue			(1.8%)	(7.1%)	26.7%	(3.4%)	0.0%	(33.3%)	9.4%	5.4%	5.6%	
% Increase in Property Rates Revenue			24.9%	5.6%	48.7%	28.3%	0.0%	(35.7%)	2.3%	6.0%	6.0%	
% Increase in Electricity Revenue			9.9%	1.4%	15.2%	(2.9%)	0.0%	(34.9%)	9.6%	6.0%	6.0%	
% Increase in Property Rates & Services Charges			9.8%	0.6%	27.1%	0.2%	0.0%	(34.8%)	7.2%	6.0%	6.0%	
Expenditure												
% Increase in Total Operating Expenditure			7.9%	21.1%	7.2%	(5.9%)	0.0%	(33.3%)	8.2%	5.4%	6.1%	
% Increase in Employee Costs			17.0%	12.7%	2.1%	(4.0%)	0.0%	(24.2%)	18.7%	6.0%	6.0%	
% Increase in Electricity Bulk Purchases			(7.6%)	6.7%	22.0%	0.0%	0.0%	(44.6%)	15.5%	6.0%	6.0%	
Average Cost Per Budgeted Employee Position (Remuneration)				155923.4195	248889.1471				234498.5052			
Average Cost Per Councillor (Remuneration)				318536.4737	267567.5405				294690.7105			
R&M % of PPE		0.5%	0.8%	2.0%	2.2%	2.4%	2.4%		1.1%	1.1%	1.1%	
Asset Renewal and R&M as a % of PPE		1.0%	1.0%	2.0%	2.0%	2.0%	2.0%		1.0%	1.0%	1.0%	
Debt Impairment % of Total Billable Revenue		2.7%	1.6%	18.7%	10.5%	10.4%	10.4%	0.0%	17.1%	17.1%	17.1%	
Capital Revenue												
Internally Funded & Other (R'000)		4,214	7,537	4,480	14,495	18,195	18,195	3,291	11,048	12,879	13,651	
Borrowing (R'000)		6,332	–	–	–	–	–	–	–	–	–	
Grant Funding and Other (R'000)		52,195	56,954	93,612	77,765	91,376	91,376	47,809	81,885	81,782	87,125	
Internally Generated funds % of Non Grant Funding		40.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Borrowing % of Non Grant Funding		60.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Grant Funding % of Total Funding		83.2%	88.3%	95.4%	84.3%	83.4%	83.4%	93.6%	87.2%	86.4%	86.5%	
Capital Expenditure												
Total Capital Programme (R'000)		62,741	64,491	98,092	92,260	109,572	109,572	51,100	92,932	94,661	100,776	
Asset Renewal		–	–	–	–	–	–	–	–	–	–	
Asset Renewal % of Total Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Cash												

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Cash Receipts % of Rate Payer & Other			101.0%	100.0%	88.3%	75.5%	71.5%	71.5%	52.4%	81.6%	81.6%	81.6%
Cash Coverage Ratio			0	0	0	0	(0)	(0)	0	0	0	(0)
<u>Borrowing</u>												
Credit Rating (2009/10)										0		
Capital Charges to Operating			1.0%	6.7%	1.4%	0.2%	0.3%	0.3%	0.2%	0.4%	0.4%	0.4%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Reserves</u>												
Surplus/(Deficit)			(4,020)	(18,657)	(53,019)	86,961	14,702	58,830	24,219	39,961	42,358	44,900
<u>Free Services</u>												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			5.0%	5.6%	5.1%	3.8%	4.0%	4.0%		4.0%	3.9%	3.8%
<u>High Level Outcome of Funding Compliance</u>												
Total Operating Revenue			296,205	290,923	270,323	342,611	330,925	330,925	220,692	362,118	381,828	403,268
Total Operating Expenditure			296,829	320,160	387,828	415,635	391,082	391,082	261,036	423,174	446,081	473,091
Surplus/(Deficit)												
Budgeted Operating Statement			(624)	(29,237)	(117,505)	(73,025)	(60,157)	(60,157)	(40,344)	(61,056)	(64,253)	(69,822)
Surplus/(Deficit)												
Considering Reserves and Cash Backing			(4,020)	(18,657)	(53,019)	86,961	14,702	58,830	24,219	39,961	42,358	44,900
MTREF Funded (1) / Unfunded (0)	15		0	0	0	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15		✗	✗	✗	✓	✓	✓	✓	✓	✓	✓

2.10 Expenditure on Grants and Reconciliation of Unspent

Table 14 MBRR - MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		5,480	3,466	114,595	12,872	132,902	132,902	161,926	169,625	178,332

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Local Government Equitable Share		–	–	–	–	–	–	–	–
Local Government Equitable Share		5,480	3,466	110,201	7,433	127,463	127,463	153,190	162,922
Finance Management		–	–	1,550	1,600	1,600	1,600	1,675	1,810
Municipal Systems Improvement		–	–	890	934	934	934	930	957
EPWP Incentive		–	–	1,954	2,905	2,905	2,905	2,348	–
		–	–	–	–	–	–	–	–
Other transfers/grants PMU		–	–	–	–	–	–	–	–
Operational portion		–	–	–	–	–	–	3,783	3,936
Total operating expenditure of Transfers and Grants:		5,480	3,466	114,595	12,872	132,902	132,902	161,926	169,625
Capital expenditure of Transfers and Grants									
National Government:		41,908	56,954	62,012	77,765	91,376	81,376	81,885	81,782
Municipal Infrastructure Grant (MIG)		41,908	56,954	62,012	72,765	86,376	76,376	71,885	74,782
INEP		–	–	–	5,000	5,000	5,000	10,000	7,000
Total capital expenditure of Transfers and Grants		41,908	56,954	62,012	77,765	91,376	81,376	81,885	81,782
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		47,388	60,420	176,607	90,637	224,278	214,278	243,811	251,407

Table 15 MBRR - MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		31,782	9,949		132,752	132,902	132,902	161,926	169,625	178,332
Conditions met - transferred to revenue		31,782	9,949	–	132,752	132,902	132,902	161,926	169,625	178,332
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–
Total operating transfers and grants revenue		31,782	9,949	–	132,752	132,902	132,902	161,926	169,625	178,332
Total operating transfers and grants - CTBM	2	–	–	–	–	–	–	–	–	–
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year		–	–	–	–	3,611	3,611	–	–	–
Current year receipts		41,908	56,954	62,012	77,765	87,765	77,765	81,885	81,782	87,125
Conditions met - transferred to revenue		41,908	56,954	62,012	77,765	91,376	81,376	81,885	81,782	87,125
Conditions still to be met - transferred to liabilities		–	–	–	–	–	–	–	–	–

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Total capital transfers and grants revenue		52,195	56,954	62,012	77,765	91,376	81,376	81,885	81,782	87,125
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		83,977	66,903	62,012	210,517	224,278	214,278	243,811	251,407	265,457
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

2.11 Councillors and Employee Benefits

Table 16 MBRR - MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<u>Councillors</u>	3							
Speaker	4		331,632	49,740	193,425			574,797
Chief Whip			307,104	66,204	165,564			538,872
Executive Mayor			405,384	85,104	228,008			718,496
Deputy Executive Mayor			-	-	-			-
Executive Committee			640,704	117,864	316,182			1,074,750
Total for all other councillors			4,765,403	637,701	2,888,228			8,291,332
Total Councillors	8	-	6,450,227	956,613	3,791,407			11,198,247
<u>Senior Managers of the Municipality</u>	5							
Municipal Manager (MM)			728,010	135,005	202,368	-		1,065,383
Chief Finance Officer			477,718	117,384	235,175	-		830,277
GM TECHNICAL SERVICES			598,353	179,256	98,022	-		875,631
GM CORPORATE SERVICES			567,358	134,280	128,639	-		830,277
GM COMMUNITY SERVICES			567,358	136,439	126,480	-		830,277
			-	-	-	-		-
<i>List of each official with packages >= senior manager</i>								
ALL SENIOR MANAGERS			8,186,596	96,828	120,156	-		8,403,580
Total Senior Managers of the Municipality	8,10	-	11,125,393	799,192	910,840	-		12,835,425
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	17,575,620	1,755,805	4,702,247	-		24,033,672

Table 17 MBRR - MP303 Mkhondo - Supporting
Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref 1, 2	2013/14			Current Year 2014/15			Budget Year 2015/16		
		Positio ns	Permane nt employe es	Contract employe es	Positio ns	Permane nt employe es	Contract employe es	Positio ns	Permane nt employe es	Contract employe es
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		38	–	38	37	–	37	38	–	38
Board Members of municipal entities	4	–	–	–	–	–	–	–	–	–
Municipal employees	5	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	3	5	–	5	5	–	5	5	–	5
Other Managers	7	20	20	–	20	20	–	19	–	19
Professionals		358	351	7	167	167	–	208	200	8
<i>Finance</i>		37	30	7	42	42	–	51	45	6
<i>Spatial/town planning</i>		4	4	–	4	4	–	5	3	2
<i>Information Technology</i>		2	2	–	3	3	–	–	–	–
<i>Roads</i>		67	67	–	–	–	–	–	–	–
<i>Electricity</i>		41	41	–	–	–	–	3	3	–
<i>Water</i>		34	34	–	1	1	–	–	–	–
<i>Sanitation</i>		1	1	–	1	1	–	–	–	–
<i>Refuse</i>		1	1	–	–	–	–	–	–	–
<i>Other</i>		171	171	–	116	116	–	149	149	–
Technicians		244	213	31	209	209	–	253	250	3
<i>Finance</i>		–	–	–	–	–	–	–	–	–
<i>Spatial/town planning</i>		–	–	–	–	–	–	–	–	–
<i>Information Technology</i>		–	–	–	–	–	–	4	1	3
<i>Roads</i>		–	–	–	61	61	–	52	52	–
<i>Electricity</i>		4	4	–	46	46	–	43	43	–
<i>Water</i>		12	12	–	34	34	–	60	60	–
<i>Sanitation</i>		59	59	–	10	10	–	7	7	–
<i>Refuse</i>		–	–	–	58	58	–	71	71	–
<i>Other</i>		169	138	31	–	–	–	16	16	–
Clerks (Clerical and administrative)		–	–	–	–	–	–	–	–	–
Service and sales workers		–	–	–	–	–	–	–	–	–
Skilled agricultural and fishery workers		–	–	–	–	–	–	–	–	–
Craft and related trades		–	–	–	–	–	–	–	–	–
Plant and Machine Operators		–	–	–	–	–	–	–	–	–
Elementary Occupations		–	–	–	–	–	–	–	–	–

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TOTAL PERSONNEL NUMBERS	9	665	584	81	438	396	42	523	450	73
% increase					(34.1%)	(32.2%)	(48.1%)	19.4%	13.6%	73.8%
Total municipal employees headcount	6, 10	-	-	-	-	-	-	-	-	-
Finance personnel headcount	8, 10	37	30	7	-	-	-	-	-	-
Human Resources personnel headcount	8, 10	-	-	-	-	-	-	-	-	-

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2.12 Monthly Targets for Revenue, Expenditure and Cash

Flow

Table 18 MBRR - MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source	-															
Property rates		3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	38,936	41,272	43,748
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		8,273	8,273	8,273	8,273	8,273	8,273	8,273	8,273	8,273	8,273	8,273	8,273	99,279	105,236	111,550
Service charges - water revenue		1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	1,195	14,334	15,194	16,106
Service charges - sanitation revenue		616	616	616	616	616	616	616	616	616	616	616	616	7,389	7,832	8,302
Service charges - refuse revenue		684	684	684	684	684	684	684	684	684	684	684	684	8,205	8,697	9,219
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		66	66	66	66	66	66	66	66	66	66	66	66	798	846	896
Interest earned - external investments		121	121	121	121	121	121	121	121	121	121	121	121	1,449	1,536	1,628
Interest earned - outstanding debtors		649	649	649	649	649	649	649	649	649	649	649	649	7,783	8,250	8,745
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		95	95	95	95	95	95	95	95	95	95	95	95	1,143	1,211	1,284
Licences and permits		3	3	3	3	3	3	3	3	3	3	3	3	40	42	44
Agency services		566	566	566	566	566	566	566	566	566	566	566	566	6,795	7,203	7,635
Transfers recognised - operational		13,494	13,494	13,494	13,494	13,494	13,494	13,494	13,494	13,494	13,494	13,494	13,494	161,926	169,625	178,333
Other revenue		1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	14,042	14,885	15,778
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Total Revenue (excluding capital transfers and contributions)		30,176	30,176	30,176	30,176	30,176	30,176	30,176	30,176	30,176	30,176	30,176	362,118	381,828	403,268
Expenditure By Type	-														
Employee related costs		9,478	9,478	9,478	9,478	9,478	9,478	9,478	9,478	9,478	9,478	9,478	113,732	120,556	127,789
Remuneration of councillors		933	933	933	933	933	933	933	933	933	933	933	11,198	11,870	12,582
Debt impairment		2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	2,392	28,699	30,421	32,246
Depreciation & asset impairment		6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	73,058	77,441	82,088
Finance charges		37	37	37	37	37	37	37	37	37	37	37	446	473	501
Bulk purchases		7,826	7,826	7,826	7,826	7,826	7,826	7,826	7,826	7,826	7,826	7,826	93,915	99,550	105,523
Other materials		1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	12,889	13,662	14,482
Contracted services		2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	2,347	28,161	29,850	31,641
Transfers and grants		1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	12,835	11,121	12,034
Other expenditure		4,020	4,020	4,020	4,020	4,020	4,020	4,020	4,020	4,020	4,020	4,020	48,241	51,136	54,204
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		35,264	35,264	35,264	35,264	35,264	35,264	35,264	35,264	35,264	35,264	35,264	423,174	446,081	473,091
Surplus/(Deficit)		(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(5,088)	(61,056)	(64,253)	(69,822)
Transfers recognised - capital		6,824	6,824	6,824	6,824	6,824	6,824	6,824	6,824	6,824	6,824	6,824	81,885	81,782	87,125
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	20,829	17,529	17,302
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	1,736	20,829	17,529	17,302

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Table 19 MBRR - MP303 Mkhondo - Supporting Table SA30
Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Cash Receipts By Source													1		
Property rates	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,420	29,007	30,748	32,592
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	7,345	7,345	7,345	7,345	7,345	7,345	7,345	7,345	7,345	7,345	7,345	7,345	88,140	93,428	99,034
Service charges - water revenue	890	890	890	890	890	890	890	890	890	890	890	889	10,679	11,320	11,999
Service charges - sanitation revenue	459	459	459	459	459	459	459	459	459	459	459	458	5,505	5,835	6,185
Service charges - refuse revenue	509	509	509	509	509	509	509	509	509	509	509	514	6,113	6,480	6,868
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	67	67	67	67	67	67	67	67	67	67	67	66	798	846	896
Interest earned - external investments	121	121	121	121	121	121	121	121	121	121	121	120	1,449	1,536	1,628
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	95	95	95	95	95	95	95	95	95	95	95	95	1,143	1,211	1,284
Licences and permits	3	3	3	3	3	3	3	3	3	3	3	3	40	42	44
Agency services	566	561	561	561	561	561	561	561	561	561	561	622	6,795	7,203	7,635
Transfer receipts - operational	56,397	-	-	-	52,764	-	-	-	52,764	-	-	0	161,926	167,791	177,858
Other revenue	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	14,042	14,885	15,778
Cash Receipts by Source	70,039	13,636	13,636	13,636	66,401	13,636	13,636	13,636	66,401	13,636	13,636	13,703	325,635	341,322	361,801
Other Cash Flows by Source															

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Transfer receipts - capital	24,773	–	–	–	28,556	–	–	–	28,556	–	–	–	81,885	81,782	87,125
Contributions recognised - capital & Contributed assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	94,812	13,636	13,636	13,636	94,957	13,636	13,636	13,636	94,957	13,636	13,636	13,703	407,520	423,104	448,926
Cash Payments by Type															
Employee related costs	9,004	9,004	9,004	9,004	9,004	9,004	9,004	9,004	9,004	9,004	9,004	14,690	113,732	120,556	127,790
Remuneration of councillors	933	933	933	933	933	933	933	933	933	933	933	933	11,198	11,870	12,582
Finance charges	37	37	37	37	37	37	37	37	37	37	37	37	446	473	501
Bulk purchases - Electricity	7,733	7,733	7,733	7,733	7,733	7,733	7,733	7,733	7,733	7,733	7,733	7,733	92,795	98,363	104,264
Bulk purchases - Water & Sewer	93	93	93	93	93	93	93	93	93	93	93	93	1,120	1,187	1,258
Other materials	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	1,074	12,889	13,662	14,482
Contracted services	2,352	2,352	2,352	2,352	2,352	2,352	2,352	2,352	2,352	2,352	2,352	2,352	28,218	29,911	31,706
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	1,070	12,835	13,610	14,672
Other expenditure	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,015	4,016	48,183	51,074	54,139
Cash Payments by Type	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	31,998	321,417	340,707	361,395
Other Cash Flows/Payments by Type															

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Capital assets												92,932	92,932	94,661	100,776
Repayment of borrowing			850						311			-	1,161	1,231	1,304
Other Cash Flows/Payments												-			
Total Cash Payments by Type	26,311	26,311	27,161	26,311	26,311	26,311	26,311	26,311	26,622	26,311	26,311	124,541	415,510	436,599	463,475
NET INCREASE/(DECREASE) IN CASH HELD	68,501	(12,674)	(13,524)	(12,674)	68,646	(12,674)	(12,674)	(12,674)	68,335	(12,674)	(12,674)	(111,227)	(7,990)	(13,495)	(14,550)
Cash/cash equivalents at the month/year begin:	33,191	101,692	89,018	75,493	62,819	131,465	118,790	106,116	93,442	161,777	149,102	136,428	33,191	25,201	11,706
Cash/cash equivalents at the month/year end:	101,692	89,018	75,493	62,819	131,465	118,790	106,116	93,442	161,777	149,102	136,428	25,201	25,201	11,706	(2,843)

2.13 Other Supporting Documents

Table 20 MBRR - MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		15,130	18,893	19,952	29,672	38,077	38,077	24,488	38,936	41,272	43,748
<i>less Revenue Foregone</i>											
Net Property Rates		15,130	18,893	19,952	29,672	38,077	38,077	24,488	38,936	41,272	43,748
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		72,647	79,847	80,991	93,339	90,622	90,622	58,989	99,279	105,236	111,550
<i>less Revenue Foregone</i>											
Net Service charges - electricity revenue		72,647	79,847	80,991	93,339	90,622	90,622	58,989	99,279	105,236	111,550
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		12,417	11,250	9,345	15,073	10,529	10,529	9,015	14,334	15,194	16,106
<i>less Revenue Foregone</i>											
Net Service charges - water revenue		12,417	11,250	9,345	15,073	10,529	10,529	9,015	14,334	15,194	16,106
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		4,925	5,649	5,742	10,778	9,705	9,705	4,647	7,389	7,832	8,302
<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue		4,925	5,649	5,742	10,778	9,705	9,705	4,647	7,389	7,832	8,302
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		6,335	6,738	7,095	7,600	7,858	7,858	5,160	8,205	8,697	9,219
Total landfill revenue		–	–	–	–	–	–	–	–	–	–
<i>less Revenue Foregone</i>		–	–	–	–	–	–	–	–	–	–
Net Service charges - refuse revenue		6,335	6,738	7,095	7,600	7,858	7,858	5,160	8,205	8,697	9,219
<u>Other Revenue by source</u>											
<i>Administrative costs, insurance claim, revenue enhancement</i>		–	15	2,560	–	2,292	2,292	2,914	5	5	6
<i>Advertising/posters (from pre audit back to audited outcomes were sum'd together)</i>		31,782	22	19	–	21	21	15	23	24	26
<i>Building plans & cemetery fees (Donation received - audited outcome 2011/12)</i>		–	142	138	2,774	408	408	276	433	458	486
<i>Clearance certificates, VAT, valuation certificates & commission fees</i>		–	108	134	3,540	2,384	2,384	7	196	207	220
<i>Bins, Cut of grass, other income and miscellaneous income</i>		–	–	4,877	4	5	5	–	5	5	5

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Encroachment, Escorting & Weighbridge fees	–	1,091	1,626	–	2,002	2,002	–	1,954	2,071	2,195
Sale of garden refuse bulk containers, refuse bins & prepaid boxes	–	–	0	–	3	3	0	3	3	3
Postcards, statements & photocopies fees	–	2,422	240	–	6	6	2	6	6	7
Rentals, Private calls recovered, PMU admin	–	–	–	819	1,455	1,455	–	–	–	–
Private work & reconnection fees, lost cards, consumer serv	–	–	–	309	527	527	–	162	172	182
Sale of pines, gums & wattle barks	–	5,740	3,626	18,187	15,332	15,332	5,616	10,548	11,181	11,852
Sundry - tenders, sub division of stands & testing of meters	3	–	409	204	2,135	385	–	709	751	796
Total 'Other' Revenue	1	31,782	9,949	13,426	27,767	24,821	8,832	14,042	14,885	15,778
EXPENDITURE ITEMS:										
<u>Employee related costs</u>										
Basic Salaries and Wages	2	50,232	59,379	62,649	71,525	67,728	67,728	54,126	76,181	85,597
Pension and UIF Contributions		9,843	11,423	12,543	12,990	11,912	11,912	8,316	14,285	16,050
Medical Aid Contributions		2,002	2,433	2,646	3,081	2,922	2,922	2,088	3,896	4,378
Overtime		4,394	5,618	6,695	4,242	5,345	5,345	4,040	3,426	3,849
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance		2,652	1,847	4,184	2,506	2,581	2,581	1,573	3,040	3,416
Cellphone Allowance		–	–	–	–	–	–	–	–	–
Housing Allowances		945	1,067	1,064	1,017	1,040	1,040	695	1,321	1,484
Other benefits and allowances		4,091	4,788	5,408	4,442	4,258	4,258	1,787	11,583	12,278
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	203	71	–	–	–	–	–	–
Post-retirement benefit obligations	4	–	–	2,502	–	–	–	–	–	–
sub-total	5	74,159	86,757	97,764	99,805	95,785	95,785	72,626	113,732	127,789
<u>Less: Employees costs capitalised to PPE</u>										
Total Employee related costs	1	74,159	86,757	97,764	99,805	95,785	95,785	72,626	113,732	127,789
<u>Depreciation & asset impairment</u>										
Depreciation of Property, Plant & Equipment		67,633	71,498	72,525	73,058	73,058	73,058	73,058	77,441	82,088
Lease amortisation		–	–	–	–	–	–	–	–	–
Capital asset impairment		–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	10	–	–	–	–	–	–	–	–	–
Total Depreciation & asset impairment	1	67,633	71,498	72,525	73,058	73,058	73,058	73,058	77,441	82,088
<u>Bulk purchases</u>										
Electricity Bulk Purchases		66,732	61,693	65,855	80,374	80,374	80,374	44,531	92,795	98,363
Water Bulk Purchases		3,182	1,575	10,726	550	2,000	2,000	–	1,120	1,258
Total bulk purchases	1	69,914	63,268	76,581	80,924	82,374	82,374	44,531	93,915	105,523

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Transfers and grants											
Cash transfers and grants		5,480	3,466	3,876	12,872	–	–	5,332	12,835	11,121	12,034
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Total transfers and grants	1	5,480	3,466	3,876	12,872	–	–	5,332	12,835	11,121	12,034
Contracted services											
List services provided by contract		–	–	–	–	–	–	–	–	–	–
Private contractor's e.g.SIVIL Culture, Mpangazitha.		–	24,396	25,750	14,494	16,022	16,022	10,694	13,093	13,879	14,712
Security services		–	8,238	9,245	9,699	6,610	6,610	7,256	13,858	14,690	15,571
Valuation roll: supplementary.		–	–	–	1,200	1,141	1,141	–	1,209	1,282	1,359
VAT review commission		–	–	–	360	180	180	–	–	–	–
sub-total	1	–	32,635	34,994	25,753	23,953	23,953	17,950	28,161	29,850	31,641
Total contracted services		–	32,635	34,994	25,753	23,953	23,953	17,950	28,161	29,850	31,641
Other Expenditure By Type	–										
Audit fees		2,755	2,812	2,309	2,494	2,496	2,496	1,928	2,446	2,592	2,748
General expenses		53,724	32,940	36,225	51,233	67,407	67,407	28,723	45,796	48,543	51,456
List Other Expenditure by Type	3	–	–	–	–	–	–	–	–	–	–
Administration		–	–	–	–	–	–	–	–	–	–
Transfer to Reserves		–	–	–	15,877	–	–	–	–	–	–
Interest and Redemption		–	–	–	–	–	–	–	–	–	–
Repairs & Maintenance		10,213	–	–	–	–	–	–	–	–	–
Total 'Other' Expenditure	1	66,692	35,753	38,535	69,605	69,903	69,903	30,651	48,241	51,136	54,204
Repairs and Maintenance by Expenditure Item	8										
Other Expenditure		10,213	10,213	24,389	26,369	26,369	26,369	–	12,889	13,662	14,482
Total Repairs and Maintenance Expenditure	9	10,213	10,213	24,389	26,369	26,369	26,369	–	12,889	13,662	14,482

MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

**Table 21 MBRR - MP303 Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget
(revenue source/expenditure type and dept.)**

Description	Ref	Vote 1 - Executive Council	Vote 2 - Budget & Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning & Development	Vote 5 - Community Administration	Vote 6 - Community & Social Services	Vote 7 - Housing	Vote 8 - Public Safety	Vote 9 - Sports & Recreation	Vote 10 - Roads & Technical Services	Vote 11 - Waste Management	Vote 12 - Waste Water Management	Vote 13 - Water	Vote 14 - Electricity	Vote 15 - Other	Total
R thousand	1																
Revenue By Source																	
Property rates		-	38,936	-	-	-	-	-	-	-	-	-	-	-	-	-	38,936
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	99,279	-	99,279
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	14,334	-	-	14,334
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	7,389	-	-	-	7,389
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-	-	8,205	-	-	-	-	8,205
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	97	-	-	-	462	-	27	-	-	-	-	-	213	798
Interest earned - external investments		-	1,449	-	-	-	-	-	-	-	-	-	-	-	-	-	1,449
Interest earned - outstanding debtors		-	7,783	-	-	-	-	-	-	-	-	-	-	-	-	-	7,783
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	2	-	684	-	-	-	-	-	456	-	1,143
Licences and permits		-	-	-	-	-	-	-	40	-	-	-	-	-	-	-	40
Agency services		-	-	-	-	-	-	-	6,795	-	-	-	-	-	-	-	6,795
Other revenue		-	794	23	598	161	-	-	1,911	-	-	2	-	-	4	10,549	14,042
Transfers recognised - operational		156,973	4,953	-	-	-	-	-	-	-	-	-	-	-	-	-	161,926
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Total Revenue (excluding capital transfers and contributions)	156,973	53,914	120	598	161	2	462	9,430	27	–	8,207	7,389	14,334	99,740	10,762	362,119
<u>Expenditure By Type</u>																
Employee related costs	5,775	17,779	13,921	5,185	3,519	2,048	–	13,792	2,951	14,478	10,110	1,063	11,063	8,639	3,410	113,733
Remuneration of councillors	11,198	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,198
Debt impairment	–	28,699	–	–	–	–	–	–	–	–	–	–	–	–	–	28,699
Depreciation & asset impairment	–	73,058	–	–	–	–	–	–	–	–	–	–	–	–	–	73,058
Finance charges	–	446	–	–	–	–	–	–	–	–	–	–	–	–	–	446
Bulk purchases	–	–	–	–	–	–	–	–	–	–	–	–	1,120	92,795	–	93,915
Other materials	22	179	2,514	–	0	46	10	996	215	2,274	864	243	2,381	3,060	83	12,889
Contracted services	–	6,569	–	–	150	–	–	9,000	–	2,100	750	950	1,419	–	7,280	28,218
Transfers and grants	10,251	2,584	–	–	–	–	–	–	–	–	–	–	–	–	–	12,835
Other expenditure	9,445	11,211	7,558	643	49	96	7	3,066	350	2,383	3,324	1,045	3,354	1,105	4,548	48,184
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure	36,691	140,526	23,993	5,828	3,718	2,189	17	26,854	3,516	21,235	15,049	3,301	19,336	105,600	15,321	423,175
Surplus/(Deficit)	120,282	(86,611)	(23,873)	(5,230)	(3,558)	(2,187)	444	(17,425)	(3,489)	(21,235)	(6,842)	4,088	(5,002)	(5,860)	(4,559)	(61,056)
Transfers recognised - capital	–	71,885	–	–	–	–	–	–	–	–	–	–	–	10,000	–	81,885
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	120,282	(14,726)	(23,873)	(5,230)	(3,558)	(2,187)	444	(17,425)	(3,489)	(21,235)	(6,842)	4,088	(5,002)	4,140	(4,559)	20,829

MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

Table 22 MBRR - MP303 Mkhondo - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits < 90 days		39,936	–	22,490	58,439	35,292	35,292	24,015	21,344	22,624	23,982
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Total Call investment deposits	2	39,936	–	22,490	58,439	35,292	35,292	24,015	21,344	22,624	23,982
<u>Consumer debtors</u>											
Consumer debtors		90,867	110,872	132,563	122,016	147,023	147,023	151,438	182,209	193,142	204,730
<u>Less: Provision for debt impairment</u>		(72,528)	(97,133)	(114,064)	–	–	–	–	(87,648)	(92,907)	(98,482)
Total Consumer debtors	2	18,339	13,739	18,499	122,016	147,023	147,023	151,438	94,561	100,234	106,248
<u>Debt impairment provision</u>											
Balance at the beginning of the year		(78,607)	(77,612)	(97,738)	–	–	–	–	(71,712)	(76,015)	(80,576)
Contributions to the provision		6,078	(19,522)	(16,326)	–	–	–	–	(15,936)	(16,892)	(17,906)
Bad debts written off		–	–	–	–	–	–	–	–	–	–
Balance at end of year		(72,529)	(97,133)	(114,064)	–	–	–	–	(87,648)	(92,907)	(98,482)
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		1,344,676	1,369,749	1,276,442	1,203,168	1,107,079	1,107,079	1,107,079	1,126,006	1,193,567	1,265,181
Leases recognised as PPE		–	–	–	–	–	–	–	–	–	–
<u>Less: Accumulated depreciation</u>		69,233	72,419	71,886	–	–	–	–	–	–	–
Total Property, plant and equipment (PPE)	2	1,275,443	1,297,330	1,204,557	1,203,168	1,107,079	1,107,079	1,107,079	1,126,006	1,193,567	1,265,181
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		1,475	1,291	1,161	–	–	–	–	1,161	–	–
Current portion of long-term liabilities		–	–	–	–	–	–	–	–	–	–

MKHONDO LOCAL MUNICIPALITY 2015/16 – 2017/18 MTREF BUDGET

Total Current liabilities - Borrowing		1,475	1,291	1,161	–	–	–	–	1,161	–	–
<u>Trade and other payables</u>											
Trade and other creditors		71,767	18,050	101,643	25,067	72,792	72,792	77,794	63,586	67,401	71,445
Unspent conditional transfers		942	38,833	4,927	17,377	27,086	27,086	18,589	–	–	–
VAT		2,627	3,548	–	–	–	–	–	–	–	–
Total Trade and other payables	2	75,336	60,431	106,571	42,445	99,878	99,878	96,383	63,586	67,401	71,445
<u>Non current liabilities - Borrowing</u>											
Borrowing	4	–	4,177	1,869	–	2,371	2,371	2,371	708	708	708
Finance leases (including PPP asset element)		4,102	–	–	–	–	–	–	–	–	–
Total Non current liabilities - Borrowing		4,102	4,177	1,869	–	2,371	2,371	2,371	708	708	708
<u>Provisions - non-current</u>											
Retirement benefits		3,218	16,705	19,207	27,739	–	–	–	–	–	–
<i>List other major provision items</i>											
Refuse landfill site rehabilitation		5,336	9,697	–	–	–	–	–	30,439	32,265	34,201
Other		–	–	11,231	10,240	11,231	11,231	11,231	–	–	–
Total Provisions - non-current		8,554	26,402	30,439	37,979	11,231	11,231	11,231	30,439	32,265	34,201
CHANGES IN NET ASSETS											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance		1,283,705	1,305,899	–	1,493,985	1,317,185	1,317,185	1,312,937	1,251,864	1,332,798	1,414,087
GRAP adjustments		–	–	–	–	–	–	–	–	–	–
Restated balance		1,283,705	1,305,899	–	1,493,985	1,317,185	1,317,185	1,312,937	1,251,864	1,332,798	1,414,087
Surplus/(Deficit)		51,571	12,671	(14,533)	4,740	31,219	21,219	19,889	20,829	17,529	17,302
Appropriations to Reserves		–	–	–	–	–	–	–	–	–	–
Transfers from Reserves		–	–	–	–	–	–	–	–	–	–
Depreciation offsets		–	–	–	–	–	–	–	–	–	–
Other adjustments		–	–	–	–	–	–	–	–	–	–
Accumulated Surplus/(Deficit)	1	1,335,277	1,318,570	(14,533)	1,498,725	1,348,404	1,338,404	1,332,826	1,272,693	1,350,327	1,431,390
<u>Reserves</u>	–										
Total Reserves	2	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	1,335,277	1,318,570	(14,533)	1,498,725	1,348,404	1,338,404	1,332,826	1,272,693	1,350,327	1,431,390

2.14 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ **In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports.

➤ **Internship programme**

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 14 interns through this programme and a majority of them were still in their last term of internship contract the placement plan is to absorb all interns within the various division with Office of the Chief Financial Officer, and one of the senior interns from the first team is appointed as Accountant Revenue Division.

Financial Management Grant (FMG) has been a successful capacity building programme wherein more than seven interns were absorbed internally within the Office of the Chief Financial Officer. An additional group of interns will be appointed as this capacity programme is aimed at skilling staff in financial management.

➤ **Budget & Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA, with all the senior manager fully appointed and their staff personnel fully placed, together with the assistance of 10 FM interns rotating within the Revenue, Expenditure, Supply Chain Management (SCM), Budget and ICT.

➤ **Audit Committee**

An Audit Committee members are fully qualified and functional with scheduled sittings through office of the MM and the Internal Audit Unit.

➤ **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements and, it has been submitted timeously within reporting timelines to National, Provincial treasury and other relevant stakeholders.

➤ **Policies**

A list of all budget related policies will be approved during the 2015/16 MTREF by Council by the 31 May 2015, a list of all approved policies have been included as annexure.

2.15 Municipal Manager's Quality Certificate

I _____, Acting Municipal Manager of Mkhondo Local Municipality, hereby certify that the 2015/16 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2015/16 Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Acting Municipal Manager of Mkhondo Local Municipality (MP303)

Signature _____

Date _____